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PRESS RELEASE

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Acting United States Attorney Kathleen M. Mehlretter and New York State Attorney General Eliot Spitzer today announced that Ronald Mathews, 46, of Horseheads, New York, the former owner and pharmacist at Watkins Glen Drug & Surgical, Inc., located at 110 N. Franklin Street in Watkins Glen, New York, pled guilty in federal court to a felony Information charging him with one count of health care fraud, in violation of Title 18, United States Code, Section 1347, and one count of money laundering, in violation of Title 18, United States Code, Section 1956(a)(1)(B)(i), and in Schuyler County Court to a Superior Court Information charging him with Grand Larceny in the Second Degree, a Class C felony, in connection with the theft of approximately \$1,875,000 in public and private health care insurance funds.

Today's plea resulted from an extensive investigation conducted jointly by the United States Attorney's Office, the Office of Criminal Investigations for the U.S. Food and Drug Administration, the Internal Revenue Service, the Office of the Inspector General for the U.S. Department of Health and Human Services and the Medicaid Fraud Control Unit of

the New York State Attorney General's Office.

According to the Informations, from at least January 1999 through March 2003, Mathews submitted claims for payment to Medicaid and private health insurers – including Excellus BlueCross BlueShield – for: (1) prescription refills that were not authorized by the prescribing physician; (2) name brand drugs when the generic drug was provided; (3) prescriptions that were never actually filled; and, (4) prescriptions that used a DEA registration number for the prescribing physician that was fictitious, expired and/or issued to a different physician than the one named in the claim submitted, thereby disguising an otherwise false or fraudulent, or a non-existent, prescription in order to have it appear compensable. The federal Information further charges that, on or about February 15, 2002, Mathews engaged in money laundering by depositing a check for approximately \$40,000.00, drawn on a bank account in the name of Watkins Glen Drug & Surgical, Inc., into a bank account in the name of his family members, which financial transaction Mathews knew involved the proceeds of the health care fraud and was designed to conceal or disguise the location, the source, the ownership or the control of the proceeds of the fraud.

Assistant U.S. Attorney Frank H. Sherman, who handled the federal prosecution, stated that the defendant's scheme involved the theft of approximately \$1,875,000, and that, as part of his guilty pleas, Mathews agreed to forfeit approximately \$1.25 million in assets already seized by authorities, to repay an additional \$125,000 in cash and to consent to the entry of a restitution order for \$500,000.

Acting United States Attorney Mehlretter said, "The recovery in this case results from the government's continuing effort to combat improper health insurance claims on

behalf of the United States' taxpayers. The government is committed to recovering scarce health care dollars for Medicare, Medicaid and private payor beneficiaries." Acting United States Attorney Mehlretter further stated that "the recovery in this case would not have been achieved without the interagency cooperation manifested throughout this review."

"Robbing private insurers and taxpayer-funded health programs of much-needed dollars may be viewed by unscrupulous health care providers as an enterprise with great monetary rewards and few risks. However, as today's court actions so clearly demonstrate, government will not tolerate such abuse of our already overburdened health care system," said Attorney General Spitzer. "I want to thank Acting U.S. Attorney Mehlretter and the federal agencies that worked so diligently with my office in investigating this matter. Only through such a coordinated effort of government at all levels can we expect to repel the rising tide of health care fraud in this country."

Assistant United States Attorney Sherman stated that the federal charges that Mathews pled guilty to before United States District Judge David G. Larimer carry a maximum penalty, respectively, of 10 years and/or a fine of \$250,000, or twice the gross pecuniary gain or twice the gross pecuniary loss resulting from defendant's conduct, whichever is greater (health care fraud), and a term of imprisonment of 20 years and/or a fine of \$500,000 or twice the value of the property involved in the transaction (money laundering). Each count also requires the imposition of a mandatory \$100 special assessment and a term of supervised release of 2 to 3 years. When sentenced, Mathews is expected to receive a term of imprisonment of 55 months on the federal charges and a concurrent term of 1 to 5 years on the state charge pled guilty to before Schuyler County Court Judge J.C. Argetsinger.

Assistant United States Attorney Sherman was assisted with the federal prosecution by the Office of Criminal Investigations for the U.S. Food and Drug Administration, the Internal Revenue Service, the U.S. Department of Health and Human Services, Office of the Inspector General, and the Excellus BlueCross BlueShield Special Investigations Unit. The state prosecution was handled by the Rochester Regional Director of the Attorney General's Medicaid Fraud Control Unit.

Sentencing in the federal case is scheduled for June 1, 2006, at 11:00 a.m., in front of Hon. David G. Larimer, United States District Judge. Sentencing in the state case is scheduled for June 2, 2006, in front of Hon. J.C. Argetsinger, Schuyler County Court Judge.